



West Virginia District Office Lender Update

July 2005

Volume 1, Issue 1

U.S. Small Business Administration West Virginia District Office

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West Virginia Calendar of Events:
<http://app1.sba.gov/calendar/states/calendar.cfm?op=group&grp=72>

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For More Information

- SBA Answer Desk:
1-800 U ASK SBA
- Fax: 202-205-7064
- E-mail: answerdesk@sba.gov
- TDD: 704-344-6640
- Your rights to regulatory fairness:
1-888-REG-FAIR
- SBA Home Page: www.sba.gov

All of the SBA's programs and services are provided to the public on a nondiscriminatory basis.

Loan Demand is Up in West Virginia!

7(a) Loan demand is up 25% over the same period in FY04.

As of the end of the third quarter (June), the West Virginia District Office has approved guaranty requests for 196 loans, compared to 147 a year earlier.

SBA Express is on the rise!

71.4 percent of the 7(a) loans approved this year were submitted under SBA Express, a 50 percent increase over last year for the same time period.

The SBA Express loan program provides lenders with a 50 percent guaranty on loans in exchange for allowing the lender to use their own applications and documentation. Approved SBA Express lenders also use their own procedures to approve and service the loans. This method makes it easier and faster for lenders to provide small business loans of \$350,000 or less. Lender applications for the SBA Express loan program receive priority processing through SBA's PLP processing center in Sacramento, CA., whose response is generally within 36 hours once they receive a completed SBA Express application.

Loans \$25,000 or less may be unsecured. Loan terms range from seven years for a working capital loan and up to 25 years for a real estate and equipment loan.

If your lending institution is interested in becoming a SBA Express lender or would like additional information, please contact Dave Manley (david.manley@sba.gov) or Naomi Bassel (naomi.bassel@sba.gov) at 800-767-8052 ext. 8.

Take Advantage of the Secondary Market

How can banks increase their loan portfolios, book a healthy premium, and generate servicing income at the same time? Do these aims seem incompatible? Not for bankers who take advantage of the secondary market for SBA 7(a) loans.

Upcoming issues of the SBA's West Virginia District Office newsletter provide an explanation of the benefits of participation in the secondary market. Part one of the three part series provides a detailed explanation of origination and selling of the guaranteed portions of the loans. Your loan portfolios increase because you retain the non-guaranteed portions of loans sold on the secondary market. Market lenders for government guaranteed loans could

guide you as to which loan attributes command the greatest premium in the secondary market before you actually close a loan. Premium and servicing income can be a great way to increase earnings.

Part two will focus on the benefits of investing in Government Guaranteed Loans such as the SBA's 7(a) program. Did you know that the SBA's 7(a) programs loan investments have the Full, Faith, and Credit of the United States Government, similar to Treasury? The yields are attractive for this level of security, and as always, diversification is recommended.

General information about the secondary market is discussed in part three, as well as lesser-known benefits of participation. Prior to sending your loan documentation to Colson, the Fiscal and Transfer Agent, you as a seller may benefit from experienced operations personnel verifying your loan documentation.

As a buyer, did you know that you are not required to put up loan loss reserves for these investments? Additionally, there can be positive Community Reinvestment Act (CRA) implications. Finally, you may pledge these loans against many deposits. *Additional information on SBA's secondary market program is available from our web site at: www.sba.gov/financing/lendinvest/marketprog.html or call the SBA's Secondary Market and 504 Sales Branch at (202) 205-6024.*

Lender Training Available

The West Virginia District Office is committed to provide the West Virginia lending community with hands-on assistance in order to make SBA lending profitable for their institutions. Our staff is available to provide one-on-one assistance at your location on SBA loan programs to walk you through the SBA loan application process.

We also have on-line training available through our ReadyTalk conferencing system. Training can be provided on 7(a), LowDoc, SBAExpress, CAPLines, Export Working Capital, International Trade, 504 or the Microloan programs all without you having to leave the comfort of your office. The training can be scheduled on an as needed basis and can be tailored to meet any specific need.

If you are interested in scheduling a personal or on-line training session, please contact Naomi Bassel (naomi.bassel@sba.gov) at (304) 623-5631 ext. 225.

2005 Financial Services Champions Recognized at Small Business Week Awards Banquet on May 12

Small Business of the Year and Small Business Champions were presented in ceremonies at the Charleston Marriott on May 12.

The awards were presented at the annual Small Business Week Awards Banquet, held in conjunction with the 2005 West Virginia Conference on Entrepreneurship.

Jon K. Hammock, president of KeyLogic Systems, Inc. of Morgantown was named West Virginia's Small Business Person of the Year. In his acceptance remarks, Hammock thanked SBA for providing the guaranty on their 7(a) loans which assisted in the expansion of his company. He also thanked SBA for their contracting and HUBZone programs, which has enabled KeyLogic to grow from a 2 person start-up company in 1999 to a 70 employee company with revenues of over \$5 million today.

Also recognized during the event were Randy Brooks and Stephen Shaffer from Community Bank of Parkersburg as Financial Service Champions. This award is presented yearly to a lender, or champion, whose unflagging efforts have provided significant support to the small businesses in their community and state. They provide the tools and resources small businesses need to become successful and whose hard work helps create an environment in which entrepreneurship can flourish. Brooks and Shaffer are key players in the growth of the Parkersburg area small business community and are continually implementing new and innovative ways to obtain financing required to start or expand business ventures.

Others recognized were: Jim and Adam Boyers of Middletown Tractor Sales in Fairmont as SBA Family-Owned Business; Chirag P. Patel president of IMTS, LLC (now D.N. American) in Fairmont as SBA Young Entrepreneur; Mark J. Carroll, president of Appalachian Forest Products, Inc. in Buckhannon as Small Business Exporter; Dan Page, publisher/editor of The State Journal in Charleston as Small Business Journalist; Glenn Walker, owner of Glenn Walker, CPA in Morgantown, as Minority Small Business Champion; Dr. Gloria M. Payne, professor at Davis and Elkins College in Elkins as Women in Business Champion and; the Center for Economic Options in

Charleston as Home-based Business Champion. Congressman Alan B. Mollohan received the Veteran Small Business Champion at the 16th annual Teaming To Win conference. Each award winner responded with brief remarks upon receipt of their respective awards.

Innovative Bank was presented with the Crystal Award as the top lender in terms of numbers in West Virginia for fiscal year 2004. Innovative Bank, who provides small business lending under SBA's Community Express loan program, made a total of 47 loans to West Virginia small businesses. This award is a precursor to the District Director Choice Award, which will be presented to the lender(s) whose commitment has made the biggest impact on the West Virginia small business community during the prior fiscal year. Additional details and information will be forthcoming in future newsletters.

Lender Q&A

Q: Is there a prepayment penalty on a LowDoc loan?

A: No, not necessarily. However, there may be a fee payable created by loan prepayment due to SBA. The answer is not specific to LowDoc. LowDoc is a 7(a) program and all 7(a) loans are covered by the following:

If a loan is shorter than 15 years, the answer is No, there isn't a prepayment fee.

However, if the loan is 15 years or more, there may be a fee due if the prepayment falls into the delineation below:

- (1) Loan has a maturity of 15 years or more.
- (2) Borrower makes a voluntary prepayment (or several prepayments in the aggregate) during any one of the first three successive 12 month periods following the first disbursement of the loan. Prepayment of the principal in excess of the amount due according to the amortization schedule.
- (3) The prepayment (or several prepayments in the aggregate) is more than 25 percent of the highest outstanding principal balance of the loan in any one of the first three successive 12 month periods following the first disbursement.

When all the conditions above apply then:

- (1) If the prepayment is made during the first 12 month period after first disbursement, the

charge is 5 percent of the total amount of all prepayments made during such period.

- (2) If the prepayment is made during the second 12 month period after first disbursement, the charge is 3 percent of the total amount of all prepayments made during such period; and
- (3) If the prepayment is made during the third 2 month period after first disbursement, the charge is 1 percent of the total amount of all prepayments made during such period.

13CFR 120.223

Q: Can we use our unilateral authority for approving changes in the borrower's form of organization on a LowDoc loan?

A: Yes. Pursuant to SBA Procedural Notice 5000-917, a lender has the unilateral authority to do this.

Q: Why can't we obtain a first lien on business assets with SBA in a secondary position? It is a separate loan from our real estate transaction.

A: Your loan, without an SBA guaranty, is to acquire a building for the business to operate out of. The loan, with an SBA guaranty, is for 'working capital' and is to acquire the operating assets of the business and do improvements to the acquired building. This would constitute a 'piggyback' transaction. Piggybacks are precluded from SBA assistance pursuant to SBA Policy Notice 5000-931 and continued by SBA Policy Notice 5000-938.

Q: Can we blend a loan term, rather than apply for 2 or more loans.

A: Yes, you can. Rather than applying for one loan for equipment for 10 years and a second for working capital at a 7 year term, you could apply for one loan. You could amortize the loan on either a weighted average basis or by calculating the sum of the equal monthly installments based on the allowable maturities of each purpose.

SOP 50-10(4) (e) Subpart B, Chapter 7 and 13CFR 120.212

Q: We have a loan that was approved for \$100K. The borrower ended up finding the equipment at a discount and we eventually only advanced \$80K on the loan. Can we get a partial refund of the guaranty fee?

A: No. Once you make a disbursement on a long-term loan, the guaranty fee is locked in. This also applies to any fees associated with increases where the increased amount is cancelled, but the loan is disbursed. For short term loans, the fee is owed at time of approval even if the loan is cancelled.

13CFR 120.220

Q: Can we use our unilateral authority to accept prepayments on a LowDoc loan?

A: Yes. Pursuant to SBA Procedural Notice 5000-917, a lender has the unilateral authority to do this.

Q: We have heard that you use credit scores to approve/decline loans. What is the minimum credit score that you will accept?

A: Actually, we use credit scores only to the extent that they give us a general idea of the repayment track record of the principal(s) of a business borrower. The three major bureaus, Equifax, Experian, and Transunion each will have different scores, similar through a bit different. So saying 'X' score is too low is not meaningful for SBA's purposes since SBA looks at the score as being just one element in the total loan application.

Example(s): You can have someone that scores low and when you look at their credit bureau reports the low score is attributable to having one 30 day late payment 18 months ago on their mortgage. Everything else is fine and always has been. A missed mortgage payment has a big impact on a credit score.

You can also have someone with a really high score, yet they did not repay their student loans. This will result in the application being bounced.

Credit scores are just one item for us to look at, in the mix of our review covering credit, collateral, character, capacity and conditions.

LowDoc Notes

There is a new LowDoc Loan Application (4-L) available on the agency's website. Go to the following:

<http://www.sba.gov/sbaforms/sba4-L.pdf>

If you do not have web access, please contact our office or the LowDoc Center and we can fax the new 4-L to you. The old version will no longer be accepted.

The new form is a fill-able form, however it works best to download the form and print in locally. When you fill it out on the website and then print it on your printer, at times due to connection speeds, there will be glitches and/or lost characters in some fields.

SBA Information Notice

Updated Internal Revenue Service (IRS) Contact Information – SBA Notice 5000-958.

The following updates to the contact points and telephone numbers for IRS Service Centers, which are to be used to request copies of IRS tax transcripts to verify business financial information included in SBA loan applications. This information applies only to the 7(a) and 504 loan programs.

Lenders are also reminded that all SBA 7(a) and 504 related requests for IRS tax transcripts must be submitted to IRS Service Centers using the new IRS Form 4506-T. A copy of Form 4506-T is available on SBA's Banking site at <http://www.sba.gov/banking>.

Please note that SBA's logo must be included at the top of the form to ensure SBA related requests are expedited and to ensure there will be no charge for the transcripts. (IRS Form 4506, dated May 1997, has been revised and is to be used for other tax information requests, but not tax transcripts.)

IRS Service Campus Information for West Virginia is:

IRS, P.O. Box 145500, Stop 2800F, Cincinnati, OH 45250. Christina Pickett, Manager; Virginia True, Lead. Phone: 859-669-2126 Fax: 859-669-3592.

U.S. Small Business Administration – West Virginia District Office Lender Ranking

As of June 30, 2005

Lender	Loans	\$ Amt
1. Innovative Bank	89	\$640K
2. Capital One	18	\$780K
3. Bank One	16	\$2.5M
4. United Bank	6	\$1.2M
5. Huntington Nat'l	6	\$400K
6. Fifth Third Bank	5	\$2.7M
7. First State Bank	5	\$2.0M
8. WesBanco	4	\$938K
9. Manufacturers & Traders	4	\$281K
10. Community Bank	3	\$624K
11. Main Street Bank	3	\$492K
12. BB&T	3	\$264K

KEY SBA INFORMATION

Maximum Guaranty Percentages

Regular 7(a) loans of \$150,000 or less.....	85%	SBAExpress (\$350,000 maximum).....	50%
Regular 7(a) loans greater than \$150,000.....	75%	SBA Export Express (\$350,000).....	85/75%
Export Working Capital Program.....		90%	

Guaranty Fees on loans exceeding 12 months in maturity. The Lender pays the fee and may pass it on to the borrower after first disbursement.

	<i>Based on SBA Guaranteed Portion</i>	<i>Based on Total Loan with Standard SBA Guarantees</i>	<i>Based on Total Loan with Express</i>
Loans of \$150,000 or less (Lender may keep .25% of fee)	2.00%	1.70%	1.0%
Loans between \$150,001 & \$700,000	3.00%	2.25%	1.5%
Loans greater than \$700,000	3.50%	2.625%	n.a.

Loans with a guaranteed portion in excess of \$1 million add an additional **.25%** guaranty fee on that portion.

The guaranty fee on a \$2,000,000 SBA loan is now \$53,750.

Guaranty Fee on all loans up to 12 months in maturity is only .25%, but must be submitted with the application

Lender Annual Service Fee: .50% of the outstanding balance of the SBA guaranteed portion of the loan. The fee is prorated and submitted monthly with your 1502 report (See Colson Services below for contact information). This fee may not be passed on to the borrower.

Interest Rate Limits

Term less than 7 yrs	WSJ Prime + 2.25%
Term of 7 yrs or more	WSJ Prime + 2.75%
Loan of \$25,000 or less	May add 2%
Loan of \$25,001 to \$50,000	May add 1%

SBAExpress limits are:

Your prime rate + 4.5% for loans over \$50,000

Your prime rate + 6.5% for loans of \$50,000 or less

West Virginia District Office Finance Division Staff

	Telephone	Individual Fax	e-mail addresses
David Manley	(304) 623-5631 ext 233	(202) 481-2617	david.manley@sba.gov
Naomi Bassel	(304) 623-5631 ext 225	(202) 481-4718	naomi.bassel@sba.gov

Key Web Sites

SBA Lender Homepage	www.sba.gov/banking
West Virginia District Office Homepage	www.sba.gov/wv/
SIC, NAICS codes and Size Standards	https://eweb1.sba.gov/naics
Franchise Registry Homepage	www.franchiseregistry.com/registry/
Immigration and Naturalization	www.ins.usdoj.gov/graphics/formsfee/forms
Exporting	www.export.gov

Important Addresses

West Virginia District Office

Federal Building
320 West Pike Street, Suite 330
Clarksburg, WV 26301
(304) 623-5631
Fax (304) 623-0023

SBA Hazard LowDoc Processing Center

262 Black Gold Boulevard
Hazard, KY 41701
(606) 436-0801 ext. 228 or 236
Fax (606) 435-2400

Sacramento Loan Processing Center

(PLP and SBAExpress)
U.S. Federal Courthouse
501 I St., Suite 12-100
Sacramento, CA 95814-2322
Fax (916) 930-2160

Guaranty Fee Payments Small Business Administration Denver, CO 80259-0001

Little Rock Commercial Loan Servicing Center

2120 Riverfront Dr., Ste100
Little Rock, AR 72202
(501) 324-5871
Fax (501) 324-6072
Lrsc.servicing@sba.gov

Colson Services

150 Nassau St.
New York, NY 10038
(212) 266-7998
(212) 266-7828 (1502 HELP)

National Guaranty Purchase Center

1145 Herndon Parkway
Herndon, VA 20170
(703) 487-9283
Fax (202) 481-4674
loanresolution@sba.gov
Hours: Monday to Friday
7:30 am to 6:30 pm